

Axiata Group

Group Procurement Improvement

Axiata Group Berhad (formerly known as TM International) is one of the largest Asian telecommunications companies, with controlling interests in mobile operators in Malaysia (Celcom), Indonesia (XL), Sri Lanka (Dialog), Bangladesh (Robi) and Cambodia (Hello), and with significant strategic stakes in India (Idea) and Singapore (M1). The Group's principle activities are investment holding and provision of telecommunication and consultancy services on an international scale; the strategic focus is in high growth low penetration emerging markets.

The Group, including its subsidiaries and associates, has over 200 million mobile subscribers in Asia, provides employment to over 20,000 people and posted revenue of USD 5.4 billion at the end of 2011.

Axiata's vision is to be a regional champion by 2015, by piecing together the best throughout the region in connectivity, technology and talent, uniting them towards a single goal: Advancing Asia.

"Renoir has acted as a much needed catalyst in our drive to take the function, and overall end to end procurement activities, to a more group wide strategic level"

James Maclaurin
Chief Financial Officer

Key Results

Reduction on average SIM unit prices across 5 OpCos by 5% (Up to 22% individually)

Reduction on lowest SIM unit price by 8%

Group wide benefits in excess of USD \$1.6 million

Successfully enabled Group Procurement functions with all OpCos

ANALYSIS

After holding a series of Group wide workshops, the Axiata Senior Leadership Team agreed that there was a need to simplify, standardise and gain transparency over elements which were commonly procured across the Group, therefore enabling volume aggregation.

Individual Operating Companies (OpCos) demonstrated both an interest and a willingness to further explore these opportunities by 'Working Together' under a Group lead improvement initiative.

Based on this, Axiata Corporate Centre formally engaged Renoir Consulting to work with Group Procurement to help realise these opportunities.

A Renoir team was brought in full time to provide guidance and support in the areas of Change Management and Project Management, and to help better structure Axiata's procurement improvement initiatives.

PROJECT APPROACH

This 18 week project started with a Pilot on a less complex category item (SIM cards) in order to try and establish a quick win, whilst simultaneously facilitating Group-wide interactions between procurement functions and getting buy-in and ownership from individual OpCos to 'Working Together'.

The high level aim of the SIM Pilot was to identify potential sourcing opportunities for Group-wide volume leverage as well as consolidation and standardisation of SIM cards and packaging specifications across participating OpCos.

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Three objectives were identified:

- To aggregate volume and spend across the Group
- To leverage SIM card spend with core and strategic suppliers to deliver cost savings
- To standardise SIM card specifications for better strategic sourcing performance

PROJECT RESULTS

It was agreed that the Pilot would be carried out by forming 'Virtual Teams' of key stakeholders from procurement functions across the five OpCos. Celcom was identified as the lead for the initiative, but all OpCos were required to be proactively involved in driving progress forward. As Corporate Centre was unable to assign a full time resource to the SIM Pilot, all workload was handled by Renoir.

Previously, regular meetings between Corporate Centre and OpCos had not existed, so individual relationships had to be built. To facilitate this, weekly videoconferences were setup enabling face to face contact time; this also provided a channel for discussing progress, agreeing next steps and assigning actions, despite the geographical constraints.

The key to success was to get procurement functions around the Group working together as a united team. This enabled the vendor eco-system to be navigated and dealt with through 'one voice', hindering vendor efforts to continue their divide and conquer approach.

Key achievements of the Pilot against the objectives:

Volume Aggregation:

- Group volumes were consolidated across all 5 OpCos
- Group wide direct negotiation was completed with vendors, and was driven by OpCos
- A Group framework with the required Terms and Conditions for an umbrella contract was developed, with individual OpCo requirements to sit under this.

Cost Savings:

- All OpCos have benefited from reduced SIM card unit prices
- Proposed to rationalise the number of vendors across the Group from 13 to 5
- Proposed to set up strategic partnerships with selected Group vendors, to facilitate future cost reductions

Standardisation:

- Transparency over detailed cost elements of a SIM card and packaging was achieved
- An 'Apple to Apple' comparison for basic SIM card and packaging unit costs was completed for all OpCos
- Options for standardisation of SIM card elements were identified and proposed

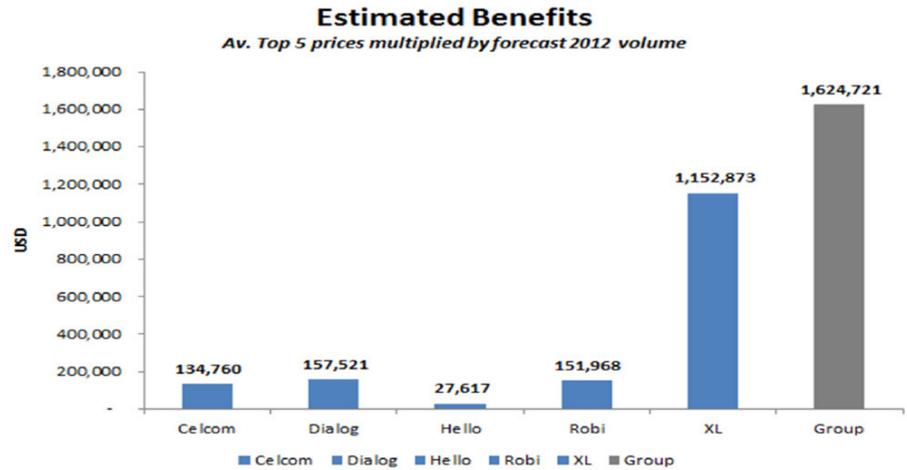
Upon completion of the initiative, significant benefits were available from vendors offering lower SIM card unit prices. Average SIM unit price reduction across the Group stood at 5%, with one OpCo receiving a 22% reduction from the current prices.

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The pilot managed to deliver the lowest SIM unit price the Group has ever received, an 8% reduction on the previous lowest unit price. Estimated benefits based on average unit prices offered to the Group stand at USD \$1.62 million.

The SIM Pilot succeeded in showing that procurement collaboration between the OpCos and Axiata Group Corporate Centre can be a success. The Pilot also demonstrated Axiata's intent to take the procurement function to a Group strategic level.



THE RENOIR GROUP

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